

AR32

Beatty

BEATTY BROS. LIMITED ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1968



BOARD OF DIRECTORS.....	R. M. Barford R. A. Stevens A. A. P. Menzies G. R. Gardiner Miss M. P. Hyndman, Q.C. G. E. Robertson G. Rodanz R. Pigeon
OFFICERS.....	G. R. Gardiner, <i>Chairman</i> R. A. Stevens, <i>President and Treasurer</i> A. A. P. Menzies, <i>Vice-President</i> Miss M. P. Hyndman, Q.C., <i>Secretary</i>
DIVISIONS	Appliances—Robert A. Stevens, <i>General Manager</i> Beatty—Lou Hollander, <i>General Manager</i> Housewares—Gene F. Webber, <i>General Manager</i> GSW (UK) Ltd—Harry R. Phillips, <i>Managing Director</i> Water Heaters—George S. Dickson, <i>General Manager</i>
TRANSFER AGENT and REGISTRAR..	The Canada Trust Company
BANKERS.....	The Bank of Nova Scotia
AUDITORS.....	Clarkson, Gordon & Co.
BEATTY BROS. LIMITED.....	Head Office, Fergus, Ontario

FACTS IN BRIEF

BEATTY BROS. LIMITED AND SUBSIDIARIES

	1968	1967
Sales.....	\$52,872,000	\$47,742,000
Net profit (loss) for year.....	590,000	(117,000)
Earnings (deficit) per share.....	1.41	(.28)
Bank and short term loans.....	3,687,000	5,374,000
Current assets.....	22,090,000	20,385,000
Current liabilities.....	12,440,000	12,199,000
Current ratio.....	1.8 to 1	1.7 to 1
Working capital.....	\$ 9,650,000	\$ 8,186,000

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

YEAR ENDED DECEMBER 31, 1968 (with comparative figures for 1967)

BEATTY BROS. LIMITED and its subsidiary companies

	1968	1967
	(in thousands)	
Funds were derived from:		
Operations—		
Net profit (loss) for the year	\$ 590	\$(117)
Add (deduct):		
Depreciation and amortization	862	871
Minority interest in net profit (loss)	215	(95)
Increase in prepaid income taxes	(47)	(181)
	1,620	478
Mortgage payments received	214	53
Proceeds on disposal of fixed assets (less portion included in net profit)	181	33
	2,015	564
Funds were applied to:		
Purchase of fixed assets	212	183
Reduction of funded debt	206	206
Redemption of preferred shares	133	147
Net book value of fixed assets acquired on purchase of a subsidiary	—	331
	551	867
Net increase (decrease) in working capital	\$1,464	\$(303)

(See accompanying notes to financial statements)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1968

BEATTY BROS. LIMITED and its subsidiary companies

- Subsidiary companies consolidated**—The consolidated financial statements reflect a consolidation of Beatty Bros. Limited and its partially owned subsidiaries, General Steel Wares Limited, The Easy Washing Machine Company, Limited, General Steel Wares (U.K.) Ltd., Beatty Bros. Incorporated, Duro Aluminum Limited and several other small subsidiaries.
The consolidated financial statements reflect the translation of pounds sterling into Canadian dollars at £1 equals \$2.60.
- Excess of cost of common shares of General Steel Wares Limited over book value thereof at date of acquisition**—As of December 31, 1968 the excess of cost of common shares of General Steel Wares Limited over book value thereof at date of acquisition has been written off to earned surplus.
- Prepaid income taxes**—To conform with recent trends in accounting practice the Company has restated on the balance sheet the provision for warranties and certain accrued liabilities which were previously reflected on a "net-of-tax" basis. The 1967 comparative figures have been correspondingly restated. These restatements have no effect on the Company's net income.
- Funded debt**—Details of this debt are as follows:

	Outstanding	Sinking fund instalment due within one year	Net
General Steel Wares Limited—			
First Mortgage Bonds:			
Series "A"—3½%, due May 1, 1970	\$1,701,000	\$114,000	\$1,587,000
Series "B"—5%, due April 15, 1973	1,315,000	79,000	1,236,000
	<u>\$3,016,000</u>	<u>\$193,000</u>	<u>\$2,823,000</u>

The total amount of General Steel Wares bonds authorized was \$8,000,000. Of these, \$1,500,000 have not been issued.

- Fees and salaries**—Aggregate remuneration to directors as directors and officers of the company was \$137,000 for 1968 and \$126,000 for 1967.

CONSOLIDATED BALANCE SHEET/DECEMBER 31, 1968

(with comparative figures for 1967)

BEATTY BROS. LIMITED and its subsidiary companies
(Incorporated under the laws of Canada)

ASSETS

	1968	1967
	(in thousands)	
Current assets:		
Cash.....	\$ 162	\$ 211
Accounts receivable less allowance for doubtful accounts.....	8,092	6,474
Inventories valued at the lower of cost and market.....	13,408	13,252
Prepaid expenses and manufacturing supplies.....	428	448
Total current assets.....	<u>22,090</u>	<u>20,385</u>
Mortgage receivable.....	—	214
Fixed assets:		
Land, buildings and equipment, at cost.....	16,860	17,215
Less accumulated depreciation.....	<u>13,912</u>	<u>13,552</u>
Total fixed assets.....	<u>2,948</u>	<u>3,663</u>
Other assets:		
Prepaid income taxes (note 3).....	394	347
Excess of cost of common shares of General Steel Wares Limited over book value thereof at date of acquisition (note 2).....	—	429
Licence and tooling in connection with a new business acquired, less amortization.....	—	116
Engineering, tooling and patent costs, less amounts written off.....	<u>1</u>	<u>1</u>
Total other assets.....	<u>395</u>	<u>893</u>
	<u>\$25,433</u>	<u>\$25,155</u>

On behalf of the Board:

R. A. STEVENS, Director

R. M. BARFORD, Director

LIABILITIES

	1968	1967
	(in thousands)	
Current liabilities:		
Bank loan	\$ 1,487	\$ 674
Short term notes	2,200	4,700
Accounts payable	7,579	5,909
Income and other taxes payable	945	693
Dividends payable	36	38
Sinking fund instalments of funded debt due within one year	193	185
Total current liabilities	12,440	12,199
Provision for warranties (note 3)	700	700
Funded debt of subsidiary company (note 4)	2,823	3,029
Minority interest in General Steel Wares Limited:		
5% cumulative redeemable preferred shares (redemption price \$3,165,330)	2,882	3,015
Common shareholders' interest in capital and surplus	1,966	2,053
Total liabilities	20,811	20,996
Shareholders' equity:		
Capital—		
Authorized:		
97,962 5% cumulative redeemable preferred shares par value \$12.00 each (after deducting 319,038 shares which have been redeemed)		
600,000 common shares without par value		
Issued and outstanding:		
417,000 common shares	737	737
Earned surplus	3,885	3,422
Total shareholders' equity	4,622	4,159
	<u>\$25,433</u>	<u>\$25,155</u>

(See accompanying notes to financial statements)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

YEAR ENDED DECEMBER 31, 1968 (with comparative figures for 1967)

BEATTY BROS. LIMITED and its subsidiary companies

	1968	1967
	(in thousands)	
Net sales	\$52,872	\$47,742
Less cost of sales, selling and administrative expenses before providing for the undernoted items	50,211	46,905
	<u>2,661</u>	<u>837</u>
Interest on funded debt	129	135
Interest on other loans	531	388
Depreciation and amortization	862	871
	<u>1,522</u>	<u>1,394</u>
Operating profit (loss) before income taxes and extraordinary credits	1,139	(557)
Provision for income taxes (tax credit in 1967)	593	(160)
Net profit (loss) before extraordinary credits:	546	(397)
Extraordinary credits:		
Recovery of income taxes resulting from the carry-forward of prior years' losses	318	—
Gain on fixed asset disposals (less income tax thereon of \$25,000 in 1968)	49	315
Gain on purchase of preferred shares	39	24
	<u>952</u>	<u>(58)</u>
Net profit (loss) before minority interest in profits (losses) of subsidiaries	147	154
Dividends paid on preferred shares of subsidiary	215	(95)
Interest of minority shareholders in profits (losses) of subsidiaries	362	59
	<u>590</u>	<u>(117)</u>
Net profit (loss) for the year	\$ 590	\$ (117)

CONSOLIDATED STATEMENT OF EARNED SURPLUS

YEAR ENDED DECEMBER 31, 1968 (with comparative figures for 1967)

BEATTY BROS. LIMITED and its subsidiary companies

	1968	1967
	(in thousands)	
Balance, beginning of year	\$3,422	\$3,539
Add:		
Net profit (loss) for the year	590	(117)
Reduction in minority interest to underlying net tangible asset value	302	—
	<u>4,314</u>	<u>3,422</u>
Deduct:		
Write off of the excess of the cost of common shares of General Steel Wares Limited over book value thereof at date of acquisition (note 2)	429	—
Balance, end of year	<u>\$3,885</u>	<u>\$3,422</u>

(See accompanying notes to financial statements)

REPORT OF THE BOARD OF DIRECTORS

To the Shareholders:

Sales increased 11%, from \$47,742,000 to \$52,872,000. Operating results before taxes and special items rose from a loss of \$557,000 to a profit of \$1,139,000. After tax adjustments, gains from sale of assets, and interest of minority shareholders, net profits were \$590,000 (compared to 1967's net loss of \$117,000).

Earnings in 1968 were \$1.41 per common share.

Sales increases were made in all divisions in 1968. Within divisions, most products' sales and market shares also increased. This was not true in the farm products produced by our Beatty Division, which experienced soft market conditions throughout the year. Very substantial profit improvements were made in the Appliance Division and GSW (U.K.) Ltd.

FINANCIAL:

Working capital increased from \$8,186,000 to \$9,650,000, a gain of \$1,464,000. Bank and short term loans were reduced by \$1,687,000 from 1967. This reduction reflects an improved rate of capital turnover in all divisions.

Your Board has elected to write-off against surplus this year the excess of cost of common shares of General Steel Wares Limited over book value thereof at date of acquisition.

OUTLOOK:

Given continuing strong market conditions, we look for further improvement in 1969, by means of internal and external growth. General Steel Wares Limited is seeking to acquire other companies whose product lines are compatible with its present business. In line with this policy, General Steel Wares Limited, early in 1969, purchased Knight Industries, a manufacturer of domestic gas and electric water heaters.

Owing to the carrying forward of operating losses, taxes payable in 1968 have been reduced. Such tax credits will have been substantially used up in 1968 and will result in an increased income tax burden in 1969. This will be partially offset by reduced depreciation and amortization charges. The accelerated depreciation program begun seven years ago is now complete.

MARKETING:

Much of the significant sales increase for 1968 can be attributed directly to the successful introduction of new products developed within the past three years.

Some of the more notable achievements here are as follows:

GSW Automatic Laundry: 1968 saw the launching on a full line basis of the new GSW automatic washer and dryer. This equipment is among the latest automatic laundry developments in North America and represents the first time that an appliance product of this magnitude has been completely developed, engineered, tooled and marketed in Canada. The consumer response to these fine products has been extremely gratifying.

GSW Twin Tub Washer: This highly utilitarian, well styled laundry product has achieved instant success in North America in the past year. Through its acceptance thousands of consumers in apartments and cottages are now able to launder their clothes with a minimum of investment in terms of time, money, plumbing and space.

GSW/Philco Ford Agreement: In October of 1968 General Steel Wares Limited was pleased to sign a technical assistance agreement on refrigeration products with the Philco Corporation, a subsidiary of the Ford Motor Corporation of the United States.

We feel that this agreement with such a leader in the consumer product field will provide tremendous support to our refrigeration programme. In 1969 we will be introducing new products to the Canadian consumer as a result of this agreement. Most notable will be a new line of GSW side by side refrigerators as well as several "frost-free" models of larger capacity.

Beatty Farm Service Centres: 1968 saw the expansion of Beatty Farm Service Centres to seventeen units. These Farm Service Centres have been strategically located to insure superior sales and service coverage to the people who purchase and use our farm equipment.

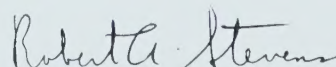
GSW Fancipans Enamelware: The introduction of this new product to the Canadian consumer has brought about a new level in elegance and fashion to food preparation and serving in the home.

GENERAL:

All divisions made substantial improvements in 1968 which appear likely to continue in 1969.

These gains have been the result of the efforts of all employees in all divisions of the company, and the Board extends to all of them its appreciation.

On behalf of the Board,



AUDITORS' REPORT

To the Shareholders of
Beatty Bros. Limited:

We have examined the consolidated balance sheet of Beatty Bros. Limited and its subsidiary companies as at December 31, 1968 and the consolidated statements of profit and loss, earned surplus, and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at December 31, 1968, the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 18, 1969.

Clarkson, Gordon & Co.
Chartered Accountants

THE DIVISIONS OF THE COMPANY AND THE PRODUCTS THEY MARKET

APPLIANCE DIVISION

London, Ont. and Fergus, Ont.

GSW-McClary and Beatty refrigerators
electric ranges and freezers
GSW-Easy and Beatty automatic washers and
dryers
wringer washers and twin-tub washer/dryers
GSW air conditioners
Easy coin laundry equipment
Belwood freezers
metal lockers
fire doors
hollow metal doors
toilet and shower partitions

HOUSEWARES DIVISION

Montreal, P.Q. and Hamilton, Ont.

porcelain enamelware
aluminum and stainless steel cooking utensils
pantry ware
galvanized ware and other metal household
products

BEATTY DIVISION

Fergus, Ont.

mechanical feeding equipment
silo unloaders
gutter cleaners
manure spreaders
steel pens and stalls
Beatty and McDougall domestic water pumps
and equipment
Medallist tanks
Beatty Gator boat and snowmobile trailers
Lovell wringers for laundry equipment

GSW (UK) LTD.

Hatfield, U.K.

McClary warm air gas furnaces
McClary coin-operated gas dryers
McClary coin-operated laundry equipment

WATER HEATER DIVISION

London, Ont. and Dundas, Ont.

domestic gas and electric water heaters
range boilers